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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC 05566-86
9 December 1986

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Graham E. Fuller
Vice Chairman, National Intelligence Council

SUBJECT: Soviet Options Toward Iran and the Persian Gulf

1. Revelations about US secret contacts with the Iranian government over the last 18 months have placed the Soviet Union in a bind in formulating its policy toward Iran-Iraq. Despite the immense strategic importance of Iran to the USSR, Moscow had played a relatively cool game toward Tehran over the last few years.

- The Soviets apparently have felt that no real breakthroughs with the clerical regime was possible as long as Khomeini is alive.
- They have also seemingly believed that there was little pressure on them to soften policy toward Iran as long as the US itself had few prospects for reentry into Tehran.

2. There is no doubt that the USSR -- unlike most of the Western press -- clearly understands the strategic implications of the US contacts with Tehran.

- A Soviet diplomat has commented on the important strategic nature of this move.
- Moscow's Literaturnaya Gazeta has pointed out that all this press talk about arms-for-hostages is simply eyewash to cover up the fundamentally anti-Soviet character of the US strategic move in Iran.

3. Moscow is now confronted with a dilemma. How is it to treat the prospects of a new American relationship with Iran? Logically speaking, Moscow has three choices.

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A. Attempt to beat the US to the punch in improving ties with Tehran: the USSR has just sent a Soviet representative to the Joint Economic Cooperation Delegation to Iran to discuss improved economic ties. Nonetheless, so far Moscow has not significantly softened its position toward Iran which calls for Iran to abstain from anti-Soviet rhetoric, to end Iranian support to Afghan insurgents, and to end Iran's persecution of the Tudeh party.

-- At this point Moscow will have to move much more dramatically to gain any major new measure of influence in Tehran. In effect it would have to come up with a major arms and economic package and a more conciliatory approach on other issues. Moscow probably cannot move fast enough or be willing to risk its ties with Iraq to make a quick turnaround on this issue -- much as it may feel tempted.

B. Turn up the heat on Iran and move toward the Arabs: Moscow could calculate that the US move toward Tehran has damaged US ties with the Arab world, and the Gulf states in particular. Moscow could decide to take advantage of that opening.

-- [REDACTED] USSR has agreed to ferry all Kuwaiti oil in Soviet tankers out of the Persian Gulf in order to protect it from Iranian attack. This could suggest a major new initiative to ingratiate itself with the Arab Gulf states at US expense.

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-- [REDACTED]

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While we need to watch both of these trends very carefully, none of this suggests that Kuwait is about to bargain away its own independence of action.

-- More importantly, Moscow also runs a major risk of armed confrontation with Iran as a result of its oil transport service for Kuwait. If Iran fires on these tankers, will Moscow fire back? Will it want an armed confrontation, given its long range desire to strengthen ties with Tehran?

-- This is, in fact, the converse of the scenario we feared: that the US might end up eyeball-to-eyeball with Tehran resulting from some terrorist act or attack on American shipping which would then open the door for Moscow to play protector of Iran against the US. Shouldn't Moscow fear that the US can only improve its position in Tehran if Moscow ends up exchanging fire with the clerical regime?

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C. Pursue the middle course and play it by ear. Under this scenario Moscow will attempt to exploit any Arab unhappiness with the US move toward Tehran, however limited. It will also avoid unnecessary confrontation with Tehran so as not to prejudice its future opportunities there either. Ideally Moscow would like to play the role of mediator in the Gulf war: retention of decent ties with both sides is essential for this. Right now, however, the US itself could conceivably move toward playing such a mediator role.

-- Moscow clearly is not willing to throw Baghdad to the winds at this stage. It has already delivered MIG-29 aircraft to Baghdad as a renewed sign of its commitment.

4. In short, the US initiative has created significant new pressures on Moscow. They can no longer sit back and wait for Tehran to come to them. They can no longer be certain of the depth of hatred and contempt between the US and Iran. We must be alert to signs of any new major change in Soviet Gulf policy, but their options are now considerably more reduced than they were before the US initiative.

-- Should further US initiatives toward Iran founder as a result of US domestic politics, however, the lag in contact could conceivably offer Moscow some openings -- particularly in the event of a major internal power struggle in Iran.

-- Conceivably Iranian pragmatists might also feel a need to "balance" their stance if they feel vulnerable to charges of being pro-US. At this point they seem to be riding high, however.

5. In the end it could be six months to two years before the final verdict will be in on the Iranian gambit. Only then, perhaps, will it be clear how timely or successful this strategic move was or was not for long-term US interests in Iran.



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